Greater Giyani Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Greater Giyani Local Municipality is a local municipality performing functions set out in the Constitution (Act 108 of 1996). Providing services to the community as covered in the jurisdiction.
Mayoral committee	**Up to 1 August 2016**
Mayor	Cllr Hlungwani Mafemani Patrick
Speaker	Cllr Mathebula Sasavona Salva
Chief Whip	Cllr Bilankulu John Hlengani
Exco Member	Cllr Ndaba Nkhensani Harmony Pretty
Exco Member	Cllr Rikhotso Africa
Exco Member	Cllr Rikhotso Nzama Million
MPAC Chairperson	Cllr Mabasa Rhulani Oral
	Cllr Maswanganyi Nkhesani Martha
	Cllr Manganyi Khazamula Abraham
	Cllr Chavalala Jabulani Thomas
	Cllr Shimange Mikateko Irene
	Cllr Mabunda Elisa Nkhesani
	Cllr Makamu Mafakhale Alpheus
	Cllr Baloyi Douglas Emmanuel
	Cllr Baloyi Hlengani Isaiah
	Cllr Baloyi Tintswalo Elizabeth
	Cllr Baloyi Watson
	Cllr Fuela Siza Hemus
	Cllr Gaveni Bridget
	Cllr Hlungwani Magezi David
	Cllr Khandlhela Nomsa Rachel
	Cllr Khosa Beatrice Maria
	Cllr Kobane Gezani Eric
	Cllr Makhubela Masenyani Jackson
	Cllr Makhubela Benjamin Mkhonsane
	Cllr Makhubele Helani Harry
	Cllr Makhubele Mashangu Patricia
	Cllr Makhubele Massiah George
	Cllr Makhubele Ponani Petunia
	Cllr Makhubele Sophie
	Cllr Makhubele Tintswalo Annah
	Cllr Maluleke Gezani Abby
	Cllr Maluleke Tsakani Rosina
	Cllr Hlupeka Jonathan
	Cllr Manganyi Tintswalo Constance
	Cllr Maswanganye Mkhacani Samson
	Cllr Maswanganyi Soza Solly
	Cllr Maswanganyi Zama Rhuel
	Cllr Mathebula Masingita Johana
	Cllr Matukane Phepheyaphi Yvonne
	Cllr Mavasa Tintswalo Nelly
	Cllr Mhlongo Ntoroky Peggy
	Cllr Mkhari Petro Petrus
	Cllr Modjela C

General Information

	Cllr Moshwana Tsakani Joyce
	Cllr Mthombeni Africa Mauhayisi
	Cllr Hlungwani Mafemani Patrick
	Cllr Mthombeni Mchacha William
	Cllr Ndlovu Mzamani James
	Cllr Ngobeni Arthur Mlunghisi
	Cllr Ngoveni Mbazima Elias
	Cllr Ntimana Hlayisani Beauty
	Cllr Rikhotso Mackson Qophani
	Cllr Sambo Mbazima Thomas
	Cllr Shivambu Hasani Richard
	Cllr Shiviti Morris
	Cllr Sithole Gezani Eddy
	Cllr Valoyi Xavelela Judith
	Cllr Vukeya Salvah Hlamalani
	Cllr Zitha Thandazo Christinah
Mayoral Committee	**From 16 August 2016**
Mayor	Cllr Mathebula Sasavona Salva
Speaker	Cllr Hlungwani Mafemani Patrick
Chief Whip	Cllr Mashale Masenyani Richard
Exco Member	Cllr Ndaba Nkhensani Harmony Pretty
Exco Member	Cllr Manganyi Khazamula Abraham
Exco Member	Cllr Baloyi Tintswalo Elizabeth
MPAC Chairperson	Cllr Mabasa Rhulani Oral
	Cllr Bilankulu John Hlengani
	Cllr Mthombeni Africa Mavhayisi
	Cllr Mabunda Elisa Nkhensani
	Cllr Makhubela Hluphela Winnie
	Cllr Shibambu Basani Agnes
	Cllr Mabulana Peter Sello
	Cllr Malungana Elia
	Cllr Baloyi Douglas Emmanuel
	Cllr Mthombeni Mchacha William
	Cllr Makubele Sophie
	Cllr Makhubele Thankyou Mbhizo
	Cllr Valoyi Xavelela Judith
	Cllr Mboweni Agrey Ernest
	Cllr Mthombeni Tsakani Noria
	Cllr Kobane Gezani Eric
	Cllr Ndlovu Tiyani Lawrence
	Cllr Kubani Sevha Solomon
	Cllr Mokoseni Fumani Clerence
	Cllr Mokgobi Phillip Thomane
	Cllr Khosa Masenyani Adolph
	Cllr Chauke Mukhacani Juring
	Cllr Mhlongo Mahshau Calvin
	Cllr Khosa Jabulani Samuel
	Cllr Mthombeni Amukelani Florah
	Cllr Mahlawule Soyaphi Calvin
	Cllr Manganyi Tintswalo Constance

General Information

	Cllr Rikhotso Hlayiseka Roger Cllr Mashele Basani Ivy Cllr Gaveni Bridget Cllr Ngobeni Risimati Edward Cllr Rikhotso Risimati Christopher Cllr Khosa Ringeta Sally Cllr Maluleke Noel Cllr Mkansi Xigiya Ben Cllr Mthombeni Sizeka George Cllr Mashimbye Dzuni Calvin Cllr Shivuri Daison Tinyiko Cllr Makhubele Masenyani Jackson Cllr Zitha Thandazo Christinah Cllr Shimange Fazi Mikateko Irene Cllr Khandlhela Nomsa Rachel Cllr Zitha Thandi Cllr Baloyi Nyiko Nyumisani Cllr Siweya Cynthia Masingita Cllr Maluleke Tinyiko Rose Cllr Sekgobela Reginah Ntsako Cllr Manganyi Sevha Vusi Cllr Madzunye Nhlamulo Mavis Cllr Hlungwani Mabandla Patrick Cllr Shivambu Hasani Richard Cllr Chauke Masenyani Thomas Cllr Mazivuko Patric Cllr Nkuna Soyaphi Robert Cllr Mathevula Mthakathi Prince Cllr Makamu Mafakhale Alpheus
Grading of local authority	3
Accounting Officers	Risimati Hitler Maluleke (Acting)
Chief Finance Officer (CFO)	Nditshedzeni Mashau (Acting)
Business address	BA 59 Civic Centre Giyani CBD 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General South Africa (AGSA)
Website	www.greatergiyani.gov.za

General Information

Enabling Legislation	The Constitution of the Republic of South Africa (108 of 1996) The Division of Revenue Act of 2011 The Municipal Finance Management Act (56 of 2003) Municipal Systems Act of 2000 Municipal Structures Act (117 of 1998) Value Added Tax Act (89 of 1991) Municipal Property Rates Act (Act No.6 of 2004) Skills Development Levies Act (9 of 1999) Employment Equity Act (55 of 1998) Unemployment Insurance Act (30 of 1966) Basic Conditions of Employment Act (75 of 1997) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Budget and Reporting Regulations The Income Tax Act (58 of 1962)

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The reports and statements set out below comprise the annual financial statements presented to the council and provincial legislature:

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Abbreviations

PAYE	Pay As You Earn
SDL	Skills Development Levy
EPWP	Expanded Public Works Program
UIF	Unemployment Insurance Fund
GRAP	Generally Recognised Accounting Practice
SDL	Skills Development Levy
INEG	Integrated Electrification Program Grant
VAT	Value Added Tax
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant
MDRG	Municipal Disaster Recovery Grant

Accounting Officers' Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statemants. However, any system of internal financial control can provida only reasonable, and not absolute, assurance against material misstatemant or deficit.

The accounting officers have reviewad the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this revlaw and the current financial position, they ara satisfied that the municipality has or has access to adequate resources to continue in operational existance for the foraseeable future.

There has been a change in leadership of the municipality during the financial year. New councillors were appointed following the local government elections that was held in August 2016.The accounting officar certifies that the salaries, allowances and benefits of councillors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officer Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on pages 8 to 58, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2017 and were signed on its behalf by:

R.H Maluleke
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Ngobeni S.A.B (Chairperson)	7
Hlomane H.G.	6
Chauke N.M.	7
Ramutsheli M.P.	6
Shilenge R.R.	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulatad its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

Tha system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporata Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effactive. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested anhancements to the controls and processes. From the various reports of tha Internal Auditors, the Audit Report on the annual financial statements, and tha management report of the Auditor-General South Africa, it was noted that no matters were reported that indicata any matarial daficiencies in tha system of internal control or any deviations therafrom. Accordingly, we can report that tha system of internal control ovar financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and tha Division of Revenue Act.

The audit committee is satisfied with tha content and quality of monthly and quarterly reports prepared and issued by the accounting officers of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officers;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2017.

1. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

2. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

3. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

NAME	NATIONALITY	CHANGES
R.H. Maluleke (Acting)	South African	1 November 2016 to 31 January 2017 Reappointed 1 May 2017 to 30 June 2017
M.C. Chaamano (Acting)	South African	1 July 2016 to 31 October 2016
P.M. Mathebula (Acting)	South African	1 February 2017 to 30 April 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	6	1 469 766	1 519 040
Receivables from exchange transactions	7	27 338 688	10 113 241
Receivables from non-exchange transactions	8	24 939 833	15 790 704
VAT receivable	9	4 552 748	5 254 635
Consumer debtors	10	10 289 260	20 196 629
Cash and cash equivalents	11	166 530 477	180 005 001
		235 120 770	**232 879 250**
Non-Current Assets			
Investment property	2	26 220 000	1 110 000
Property, plant and equipment	3	558 566 680	494 830 208
Intangible assets	4	68 458	115 820
Heritage assets		171 053	171 053
		585 026 191	**496 227 081**
Total Assets		**820 146 961**	**729 106 331**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	67 799 012	58 014 438
Unspent conditional grants and receipts	12	9 374 624	4 472 278
		77 173 636	**62 486 714**
Non-Current Liabilities			
Employee benefit obligation	5	24 185 818	21 831 430
Landfill site rehabilitation provision	13	14 360 144	14 799 593
		38 545 962	**36 631 023**
Total Liabilities		**115 719 598**	**99 117 737**
Net Assets		**704 427 363**	**629 988 594**
Accumulated surplus		704 427 383	629 988 594

* See Note 34

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	4 472 542	4 236 874
Rental of facilities and equipment	17	880 126	880 289
Interest received (overdue accounts)		5 645 953	8 472 698
Agency services		318 997	285 432
Licences and permits		4 926 246	5 173 819
Other Income	18.	1 841 546	1 161 670
Interest received - investment	19	15 174 630	13 400 970
Total revenue from exchange transactions		**33 260 040**	**33 611 752**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	33 865 255	30 675 862
Traffic fines		31 259	92 765
Transfer revenue			
Government grants & subsidies	21	315 487 287	332 041 913
Total revenue from non-exchange transactions		**349 383 801**	**362 810 540**
Total revenue	15	**382 643 841**	**396 422 292**
Expenditure			
Employee related costs	22	(119 525 379)	(108 057 434)
Remuneration of councillors	23	(19 431 700)	(18 273 962)
Depreciation and amortisation		(38 502 783)	(20 206 232)
Impairment loss/ Reversal of impairments	24	(51 007)	(1 654 573)
Finance costs		-	(57 409)
Lease rentals on operating lease		(1 330 757)	(1 158 006)
Debt Impairment	25	(25 229 239)	(7 245 980)
Repairs and maintenance		(16 265 310)	(23 479 737)
General Expenses	27	(99 978 332)	(97 594 381)
Total expenditure		**(320 314 507)**	**(277 725 714)**
Operating surplus		**62 329 334**	**118 696 578**
Loss on disposal of assets and liabilities		(2 379 722)	-
Surplus for the year		**59 949 612**	**118 696 578**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**511 292 016**	**511 292 016**
Changes in net assets		
Surplus for the year	118 696 578	118 696 578
Total changes	118 696 578	118 696 578
Restated* Balance at 01 July 2016	**644 477 751**	**644 477 751**
Changes in net assets		
Surplus for the year	59 949 612	59 949 612
Total changes	59 949 612	59 949 612
Balance at 30 June 2017	**704 427 363**	**704 427 363**
Note(s)		

* See Note 34

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Taxation		22 178 878	31 927 637
Sale of goods and services		27 831 943	35 696 170
Grants		320 389 632	334 427 775
Interest income		15 174 630	13 400 970
Other receipts		2 041 173	1 161 670
		387 616 256	416 614 222
Payments			
Employee costs		(137 266 525)	(126 331 397)
Suppliers		(230 920 947)	(192 068 076)
Finance costs		-	(57 409)
		(368 187 472)	(318 456 882)
Net cash flows from operating activities	30	**19 428 784**	**98 157 340**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(30 523 588)	(68 984 512)
Proceeds from sale of property, plant and equipment	3	(2 819 172)	1 037 776
Purchase of other intangible assets	4	-	(142 085)
Net cash flows from investing activities		(33 342 758)	**(68 068 821)**
Cash flows from financing activities			
Repayment of other financial liabilities		439 450	-
Finance lease payments		-	(392 566)
Net cash flows from financing activities		**439 450**	**(392 566)**
Net increase/(decrease) in cash and cash equivalents		**(13 474 524)**	**29 695 953**
Cash and cash equivalents at the beginning of the year		180 005 001	150 309 048
Cash and cash equivalents at the end of the year	11	**166 530 477**	**180 005 001**

* See Note 34

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 200 000	100 000	**4 300 000**	4 472 542	**172 542**	
Rental of facilities and equipment	798 975	(113 035)	**685 940**	880 126	**194 186**	A
Interest received (overdue accounts)	5 000 000	-	**5 000 000**	5 645 953	**645 953**	B
Agency services	300 000	-	**300 000**	318 997	**18 997**	
Licences and permits	7 200 000	-	**7 200 000**	4 926 246	**(2 273 754)**	C
Other income	18 852 800	5 987 100	**24 839 900**	1 841 546	**(22 998 354)**	D
Interest received - investment	11 500 000	-	**11 500 000**	15 174 630	**3 674 630**	E
Total revenue from exchange transactions	**47 851 775**	**5 974 065**	**53 825 840**	**33 260 040**	**(20 565 800)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	34 000 000	(4 000 000)	**30 000 000**	33 865 255	**3 865 255**	F
Traffic fines	47 000	53 000	**100 000**	31 259	**(68 741)**	G
Transfer revenue						
Government grants & subsidies	287 538 000	37 478 000	**325 016 000**	315 487 287	**(9 528 713)**	
Total revenue from non-exchange transactions	**321 585 000**	**33 531 000**	**355 116 000**	**349 383 801**	**(5 732 199)**	
Total revenue	**369 436 775**	**39 505 065**	**408 941 840**	**382 643 841**	**(26 297 999)**	
Expenditure						
Personnel	(122 278 559)	7 097 831	**(115 180 728)**	(119 525 379)	**(4 344 651)**	
Remuneration of councillors	(19 524 325)	749 685	**(18 774 640)**	(19 431 700)	**(657 060)**	
Depreciation and amortisation	(30 000 000)	-	**(30 000 000)**	(38 502 783)	**(8 502 783)**	
Impairment loss/ Reversal of impairments	-	-	-	(51 007)	**(51 007)**	
Lease rentals on operating lease	(1 580 000)	(80 000)	**(1 660 000)**	(1 330 757)	**329 243**	H
Debt Impairment	(20 000 000)	5 000 000	**(15 000 000)**	(25 229 239)	**(10 229 239)**	
Repairs and maintenance	(17 660 000)	(4 109 550)	**(21 769 550)**	(16 265 310)	**5 504 240**	
Contracted Services	(900 000)	400 000	**(500 000)**	-	**500 000**	
General Expenses	(74 616 971)	(4 422 029)	**(79 039 000)**	(99 978 332)	**(20 939 332)**	I
Total expenditure	**(286 559 855)**	**4 635 937**	**(281 923 918)**	**(320 314 507)**	**(38 390 589)**	
Operating surplus	**82 876 920**	**44 141 002**	**127 017 922**	**62 329 334**	**(64 688 588)**	
Loss on disposal of assets and liabilities	-	-	-	(2 379 722)	**(2 379 722)**	
Surplus before taxation	**82 876 920**	**44 141 002**	**127 017 922**	**59 949 612**	**(67 068 310)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**82 876 920**	**44 141 002**	**127 017 922**	**59 949 612**	**(67 068 310)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Reconciliation

A -Rental of facilities and equipment
The Income depends on customers needs.
This income is for rental of municipal facilities e.g. community hall, golf course, sports centers and stadium.

B -Interest received on overdue accounts
The municipality's debtor book keeps on increasing because custommers are not paying accounts.

C -Licences and permits
The income depends on customer needs for the service.
The municipality was part of the pilot phase for writing learner's licenses electronically and some of our customers who are not computer literate were lost to other municipalities that are still using manual testing.

D - Other Income
The budget included an amount of R23million for VAT recovered for which the actual amount received is not captured under other income but captured under current assets.

E - Interest received on Investment
A new investment account was opened with VBS in March 2017 and the municipality received R2.9million as interest.
The municipality also has two short term investments with ABSA.

F - Property rates
A resolution was taken by the debt forum meeting (COGTA) for municipalities to separate market values submitted to the department of rural development. The department was billed R2,567,917.00 which was not part of our budget.

G - Traffic fines
The depends on offenders' willingness to pay fines.

H - Lease rentals on operating lease
The budget was prepared before the municipality renewed its contract for office space with Limdev.

I -General expenses
Electrification projects expenditure of R23,395,909.34 was included in general expenses. However it is budgeted for under capital projects at an amount of R24,415,011.44 despite it being transferred to Eskom on completion therefore justifying it being expensed by the municipality as it will benefit Eskom.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is land and buildings held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an esset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipelity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value es et the date of acquisition.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment hava been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	
• Graders		5-15years
• Tractors		5-15years
• Lawn mowers		2years
• Compressors		5years
• Radio equipment		5years
• Filing equipment		15years
• Tippers		15years
Furniture and fixtures	Straight line	
• Chairs		5-10years
• Tables and desks		5-10years
• Cabinets and cupboards		5-10years
Motor vehicles	Straight line	
• Truck and light delivery vehicles		5-7years
• Ordinary motor vehicles		5-8years
Office equipment	Straight line	
• Office machines		5-8years
• Air conditioners		
IT equipment	Straight line	
• Computer hardware		5-9years
Computer software	Straight line	
• Computer software		3-5years

Accounting Policies

1.4 Property, plant and equipment (continued)

Community	Straight line	
• Cemeteries		30years
• Community halls		30years
• Libraries		30years
• Parks		30years
• Recreation centres		30years
• Sports and related stadiums		30years
• Tennins courts		30years
• Golf courses		30years
• Outdoor sports facilities		30years
• Flood lighting		30years
Roads and road furniture	Straight line	
• Other roads		10years
• Traffic islands		10years
• Traffic lights		20years
• Streets lights		25years
• Overhead bridges		30years
• Stormwater drains		20years
• Bridges, subways and culverts		30years
• Car parks		20years
• Bus terminals		20years
Bins and containers	Straight line	
• Bulk refuse containers (skips)		10years
Emergency equipment	Straight line	
• Fire hoses		5years
• Other fire fighting equipment		15years
• Emergency equipment		5yeers
Heritage	Straight line	
• Mayoral chain		No asset life es no depreciation charge

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No asset lives are given

Accounting Policies

1.5 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increese is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritege asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that edopted by a profit-oriented entity.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocatad pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- tha carrying amount that would have bean datermined (net of amortisation or depraciation) had no impairment loss been recognisad for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), end cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In meesuring its defined benefit liability the entity recognise pest service cost es an expense in the reporting period in which the plen is amended.

Plan assets comprise assets held by a long-term employee benefit fund end qualifying insurence policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.9 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving risa to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attributa benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the data when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separataly for each plan. Tha results of tha valuation are updated for any matarial transactions and other matarial changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatibla.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.9 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

Accounting Policies

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equel value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transection can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the trensaction is recognised by reference to the stage of completion of the transaction at the reporting dete. The outcome of a transaction cen be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.17 Budget information (continued)

Comparative information is not required.

1.18 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	26 220 000	-	26 220 000	1 110 000	-	1 110 000

Reconciliation of investment property - 2017

	Opening balance	Transfers received	Total
Investment property	1 110 000	25 110 000	26 220 000

Reconciliation of investment property - 2016

	Opening balance	Prior period error	Total
Investment property	-	1 110 000	1 110 000

A register containing the information required by section 63 of the Municipal Finance Management Act is eveilable for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contrectual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	105 515 423	(8 624 684)	96 890 739	111 146 818	(6 098 197)	105 048 621
Plant and machinery	14 220 525	(7 929 854)	6 290 671	16 282 418	(5 804 009)	10 478 409
Furniture and fixtures	1 639 644	(986 765)	652 879	2 329 961	(950 205)	1 379 756
Motor vehicles	12 313 395	(6 722 485)	5 590 910	8 331 487	(1 969 798)	4 361 689
Office equipment	418 468	(201 617)	216 851	3 096 511	(2 572 905)	523 606
IT equipment	3 364 574	(2 680 204)	684 370	2 038 228	(403 783)	1 634 445
Infrastructure	419 459 440	(56 441 619)	363 017 821	339 441 929	(27 813 827)	311 628 102
Community	97 453 437	(12 617 298)	84 836 139	69 928 830	(10 911 716)	59 015 114
Other leased Assets	746 130	(634 136)	111 994	1 121 335	(800 109)	321 226
Air conditioners	682 265	(407 959)	274 306	710 136	(270 896)	439 240
Total	**655 813 301**	**(97 246 621)**	**558 566 680**	**552 425 653**	**(57 595 445)**	**494 830 208**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Derecognition	Assets under construction	Depreciation	Impairment loss	Total
Land & Buildings - Municipal, Civic & Markets	105 048 621	-	(25 110 000)	-	19 478 805	(2 526 487)	-	96 890 739
Plant and machinery	10 478 409	-	-	(1 371 953)	-	(2 770 532)	(45 253)	6 290 671
Furniture and fixtures	1 379 756	-	-	(412 893)	-	(309 854)	(4 130)	652 879
Motor vehicles	4 361 689	3 010 099	-	(105 990)	-	(1 674 888)	-	5 590 910
Office equipment	523 606	-	-	(204 848)	-	(101 907)	-	216 851
IT equipment	1 634 445	139 249	-	(601 799)	-	(486 345)	(1 180)	684 370
Infrastructure	311 628 102	25 353 568	-	-	54 663 945	(28 627 792)	-	363 017 821
Community	59 015 114	2 020 672	-	-	25 505 936	(1 705 583)	-	84 838 139
Finance lease assets	321 226	-	-	(60 007)	-	(149 225)	-	111 994
Air conditioners	439 240	-	-	(61 759)	-	(102 731)	(444)	274 306
	494 830 208	**30 523 586**	**(25 110 000)**	**(2 819 249)**	**99 648 486**	**(38 455 344)**	**(51 007)**	**558 566 680**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Correction of prior period error	Assets under construction	Depreciation	Impairment loss	Total
Land & Buildings - Municipal, Civic & Markets	109 966 485	-	-	-	(25 783 778)	23 392 402	(2 526 488)	-	105 048 621
Plant and machinery	11 591 338	170 620	(10 126)	-	1 354 907	-	(2 628 330)	-	10 478 409
Furniture and fixtures	1 460 853	-	(774)	-	318 224	-	(398 547)	-	1 379 756
Motor vehicles	3 813 392	-	(1 026 876)	-	2 036 337	-	(461 164)	-	4 361 689
Office equipment	423 789	18 115	-	10 126	243 348	-	(171 772)	-	523 608
IT equipment	1 718 959	331 712	-	774	267 294	-	(684 294)	-	1 634 445
Infrastructure	233 150 470	38 185 912	-	-	33 849 104	16 706 127	(10 263 511)	-	311 628 102
Community	18 455 281	4 136 691	-	-	9 713 753	29 890 531	(1 526 569)	(1 654 573)	59 015 114
Finance leased assets	281 614	-	-	-	141 890	-	(102 278)	-	321 226
Air conditioners	307 233	-	-	-	227 244	-	(95 237)	-	439 240
	381 169 414	**42 843 050**	**(1 037 776)**	**10 900**	**22 368 323**	**69 989 060**	**(18 858 190)**	**(1 654 573)**	**494 830 208**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. **Property, plant and equipment (continued)**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16 708 127	29 890 531	23 392 402	69 989 060
Additions/capital expenditure	54 663 945	25 505 936	19 478 605	99 648 486
Transferred to completed items	(20 688 016)	-	-	(20 688 016)
	50 682 056	**55 396 467**	**42 871 007**	**148 949 530**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	411 866	-	-	411 866
Additions/capital expenditure	30 822 174	29 890 531	23 392 402	84 105 107
Transferred to completed items	(14 527 913)	-	-	(14 527 913)
	16 706 127	**29 890 531**	**23 392 402**	**69 989 060**

A register containing the information required by section 63 of the Municipal Financa Management Act is available for inspection at the registered office of the municipality.

4. **Intangible assets**

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	142 084	(73 626)	68 458	142 085	(26 265)	115 820

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	115 820	(47 362)	68 458

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	142 085	(26 265)	115 820

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2017 (the "Valuation Date

The valuation considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 3,942.23 for the year ending 30 June 2018. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening accrued liability	**17 988 571**	**18 224 100**	**21 157 404**
Current service cost	1 126 988	1 083 889	1 193 884
Interest cost	1 668 874	1 849 415	2 147 092
Expected contributions (benefits paid)	-	-	-
Total annual expense	**2 795 862**	**2 933 304**	**3 340 976**
Actuarial loss/(gain)	(2 560 333)	-	-
Closing accrued liability	**18 224 100**	**21 157 404**	**24 498 380**

Notes

- These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Long service award

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service.

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36% as per the SALGBC Circular No.: 02/2017. The next salary increase was assumed to take place on 1 July 2018.

The accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Accrued liability	3 776 103	4 255 414	5 026 824	5 418 042	5 961 718
Fair value of plan asset	-	-	-	-	-
Surplus/(Deficit)	**3 776 103**	**4 255 414**	**5 026 824**	**5 418 042**	**5 961 718**

6. Inventories

Consumable stores	1 469 766	1 519 040

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Receivables from exchange transactions

Inter Municipal Acct(Mopani District Municipality)	24 686 082	7 797 323
Agency fee(Mopani District Municipality)	2 674 123	2 355 116
Sundry receivables	3 622 511	3 622 511
Other debtors	17 681	-
Sundry Receivables - Provision	(3 670 972)	(3 670 972)
Staff receivables	9 263	9 283
	27 338 688	**10 113 241**

8. Receivables from non-exchange transactions

Consumer debtors - Rates	24 939 833	15 790 704

9. VAT receivable

VAT	4 552 746	5 254 635

VAT receivable is a net result of Input VAT which is (Receivable from SARS) and Output VAT which is (Payable to SARS).

The municipality is predominantly funded by Government Grants which are zero rated. Therefore, Input VAT has been claimed which has not been received as yet.

Output VAT is paid over to SARS only when payment is received from debtors.

10. Consumer debtors

Gross balances		
Debtors with credit balances	2 362 188	1 898 418
Refuse	21 048 324	13 189 385
Interest on overdue accounts	-	28 259 373
Housing rental	3 885 150	2 329 170
Cemeteries	490 180	627 903
	27 785 842	**46 302 247**
Less: Allowance for impairment		
Refuse	(14 485 475)	(7 717 888)
Interest on overdue accounts	-	(16 700 318)
Housing rental	(2 673 764)	(1 321 937)
Cemeteries	(337 343)	(365 475)
	(17 496 582)	**(26 105 618)**
Net balance		
Debtors with credit balances	2 362 188	1 896 416
Refuse	6 562 849	5 471 497
Interest on overdue accounts	-	11 559 055
Housing rental	1 211 386	1 007 233
Cemeteries	152 837	262 428
	10 289 260	**20 196 629**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Consumer debtors (continued)

Refuse

Current (0 -30 days)	411 120	(35 111)
31 - 60 days	217 676	(291 335)
61 - 90 days	457 291	178 941
91 - 120 days	228 920	(202 929)
121 - 180 days	814 802	466 153
> 180 days	18 918 716	13 073 667
	21 048 325	**13 189 386**

Housing rental

Current (0 -30 days)	54 928	6 485
31 - 60 days	52 253	37 682
61 - 90 days	64 125	37 482
91 - 120 days	48 339	30 952
121 - 180 days	96 542	72 635
> 180 days	3 568 963	2 143 932
	3 885 150	**2 329 168**

Cemeteries

Current (0 -30 days)	20 994	(15 095)
31 - 60 days	18 821	9 034
61 - 90 days	23 182	11 261
91 - 120 days	15 245	5 898
121 - 180 days	29 888	12 396
> 180 days	382 070	604 409
	490 180	**627 903**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	62 480 940	91 173 577
Short-term deposits	104 049 537	88 831 424
	166 530 477	**180 005 001**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK - Current Account - 71032635579	275 913	257 258	242 570	279 859	260 777	245 024
ABSA BANK - Current Account - 4077078193	12 816 006	34 343 042	13 579 548	12 847 831	34 375 021	13 758 233
ABSA BANK - Current Account - 4077078486	279 083	224 231	226 748	223 514	127 542	79 414
ABSA BANK - Call Deposit - 4078455655	26 974 468	25 187 624	23 822 681	26 974 468	25 319 082	23 921 561
ABSA BANK - Call Deposit - 4078155744	20 934 782	31 189 150	29 498 978	20 934 782	31 351 932	29 621 419
Nebank - Notice Account - 03/7881116218/000010	-	-	31 000 455	-	-	31 000 455
Nedbank - Notice Account - 03/781116218/000008	-	-	51 682 941	-	55 352 499	51 682 941
Standard BANK - Notice Account - 068860166001	-	33 218 148	-	-	33 218 148	-
Investec BANK - Mometum Income Plus Fund A - 561313/435732/INVIB	804 294	-	-	804 294	-	-
VBS BANK - Fixed Deposit Account - 010072182001	102 965 384	-	-	102 965 384	-	-
Total	**165 049 930**	**124 419 453**	**150 053 921**	**165 030 132**	**180 005 001**	**150 309 047**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	9 374 624	4 472 278

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

13. Landfill site rehabilitation provision

Reconciliation of landfill site rehabilitation provision - 2017

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	14 799 593	(439 449)	14 360 144

Reconciliation of landfill site rehabilitation provision - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	13 638 203	1 161 390	14 799 593

The above represents the cost of rehabilitating the municipal dump site in line with recommended environmental practices.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. Payables from exchange transactions

Trade payables	8 403 555	23 695 549
Retentions	23 344 674	17 241 663
Other payables	14 997 624	33 963
Accrued leave pay	14 085 615	13 723 047
Accrued 13th Cheque	2 807 764	2 618 357
Payroll creditors	399 164	148 638
Unspecified direct deposits	1 416 573	553 219
Debtors with credit balances	2 344 043	-
	67 799 012	**58 014 436**

Inter-municipal account - Mopani District Municipality

Gross revenue - Water	95 968 098	84 108 560
Gross revenue - Sewerage	18 447 932	15 716 311
Gross revenue - Interest	35 033 046	30 556 449
Overheads - Water	(125 231 702)	(121 187 275)
Overheads - Sewerage	(13 923 699)	(12 438 400)
Water debtors exGGM - Water	(98 404 735)	(55 305 919)
Water debtors exGGM - Sewerage	(18 098 743)	(10 682 952)
Water debtors exGGM - Interest	-	(35 085 880)
Trade creditors	-	14 500
Inventory	(956 293)	(996 429)
Accrued leave	574 806	617 245
Accrued bonus	110 697	115 860
Long service eward	526 597	485 072
Post retirement medicel contribution debts	1 090 114	1 090 111
Provision for doubtful debts	80 177 799	95 175 424
	(24 686 083)	**(7 797 323)**

The carrying amount of loans to and from shareholders are denominated in the following currencies:

15. Revenue

Service charges	4 472 542	4 236 874
Rental of facilities and equipment	880 126	880 289
Interest received (overdue accounts)	5 645 953	8 472 698
Agency services	318 997	285 432
Licences and permits	4 928 246	5 173 819
Other income	1 841 546	1 161 670
Interest received - investment	15 174 830	13 400 970
Property rates	33 865 255	30 675 862
Traffic fines	31 259	92 785
Government grants & subsidies	315 487 287	332 041 913
	382 643 841	**396 422 292**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	4 472 542	4 236 874
Rental of facilities and equipment	880 126	880 289
Interest received (overdue accounts)	5 645 953	8 472 698
Agency services	318 997	285 432
Licences and permits	4 926 246	5 173 819
Other income	1 841 546	1 161 670
Interest received - investment	15 174 830	13 400 970
	33 260 040	**33 611 752**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	33 865 255	30 675 862
Traffic fines	31 259	92 765
Transfer revenue		
Government grants & subsidies	315 487 287	332 041 913
	349 383 801	**362 810 540**

16. Service charges

Solid waste	4 472 542	4 236 874

17. Rental of facilities and equipment

Premises		
Community halls	166 571	150 331
Housing rental	560 280	498 030
	726 851	**648 361**
Facilities and equipment		
Rental of equipment	153 275	231 928
	880 126	**880 289**

18. Other income

Escort Fees	16 304	12 297
Sale of sites	-	18 456
Confirmation letters	364 145	407 303
Tender document sales	906 754	285 841
Clearance certificates	9 946	13 028
Sale of grave plots	79 040	53 902
Housing loans	-	9 741
Sale of refuse bins	14 884	2 228
Parking fees	18 668	-
Registration and transfer	71 420	89 999
Building plan approval	293 279	89 847
Re-issue of statements	9 330	7 514
Sundry Income	57 776	173 714
	1 841 546	**1 161 670**

19. Investment revenue

Interest revenue		
Other financial assets	10 404 108	9 031 038
Bank	4 770 522	4 369 932
	15 174 630	**13 400 970**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Property rates

Rates received

Residential	9 838 357	-
Commercial	5 213 813	-
State	18 649 595	-
Municipal	-	30 675 862
Public benefit organisations	163 490	-
	33 865 255	**30 675 862**

Valuations

Residential	1 512 826 635	1 512 826 635
Commercial	252 340 307	252 340 307
State	203 350 902	203 350 902
Institute	163 803 300	163 803 300
Agricultural	300 000	300 000
Public Open Space	20 866 800	20 866 800
Sport Centre	870 000	870 000
Industrial	32 527 548	32 527 548
Nature Reserve	19 350 000	19 350 000
Church	15 546 750	15 546 750
	2 221 782 242	**2 221 782 242**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim veluations are processed on en annuel basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2018.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Government grants and subsidies

Operating grants		
Equitable share	219 308 000	221 971 509
Municipal Systems Improvement Grant(MSIG)	-	930 000
Expanded Public Works Program(EPWP)	1 158 000	1 581 000
Finance Management Grant(FMG)	1 810 000	1 675 000
Local Govt Sector Education & Training Authority(LGSETA)	211 633	183 775
	222 487 633	**226 341 284**

Capital grants		
Municipal Infrastructure Grant(MIG)	82 999 654	74 187 722
Integrated National Electrification Grant(INEG)	10 000 000	10 000 000
Municipal Disaster Recovery Grant(MDRG)	-	21 512 907
	92 999 654	**105 700 629**
	315 487 287	**332 041 913**

Municipal Infrastructure Grant(MIG)

Balance unspent at beginning of year	4 472 278	-
Current-year receipts	87 907 722	78 660 000
Conditions met - transferred to revenue	(82 999 654)	(74 187 722)
Rollover approved but funds not yet received	(5 722)	-
	9 374 624	**4 472 278**

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	539 200
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Rollover not approved	-	(539 200)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Integrated National Electrification Grant(INEG)

Balance unspent at beginning of year	-	34 309
Current-year receipts	10 000 000	10 000 000
Conditions met - transferred to revenue	(10 000 000)	(10 000 000)
Other	-	(34 309)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Program(EPWP)

Current-year receipts	1 158 000	1 581 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 158 000)	(1 581 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant(FMG)

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Municipal Disaster Recovery Grant(MDRG)

Balance unspent at beginning of year	-	1 512 907
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	-	(21 512 907)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Employee related costs

Basic	77 593 985	60 622 743
Medical aid - company contributions	3 106 567	2 838 127
UIF	301 860	596 728
WCA	839 751	1 315 344
SDL	1 017 807	999 976
Other payroll levies	32 487	33 125
Leave pay provision charge	2 356 173	3 871 501
Defined contribution plans	14 431 149	14 627 541
Overtime payments	4 310 186	3 748 836
Long-service awards	411 220	2 673 637
13th Cheques	5 510 331	8 493 274
Acting allowances	318 587	281 427
Car allowance	8 679 957	7 908 749
Housing benefits and allowances	281 614	275 125
Back Pay	-	1 442 517
Clothing Allowance	15 000	15 000
Standby Allowance	318 705	313 784
	119 525 379	**108 057 434**

Remuneration of Municipal Manager: M.C. Chaamano

Annual Remuneration	37 168	-
Contributions to UIF, Medical and Pension Funds	520	-
	37 688	-

M.C. Chaamano was seconded as acting municipal manager from 1 July to 31 October 2016. The remuneration above relates to all remuneration paid to him in this position.

Remuneration of Chief Financial Officer: R.H. Maluleke

Annual Remuneration	639 177	703 558
Car Allowance	231 955	288 000
Leave pay	179 756	-
Contributions to UIF, Medical and Pension Funds	38 002	51 191
Acting Allowance	13 938	5 262
	1 102 828	**1 048 011**

R H Maluleke was acting municipal manager from 1 November 2016 to 31 January 2017 and from 1 May to 30 June 2017.

Remuneration of acting Chief Financial Officer: J.Shivambu

Acting Allowance	71 064	-

J.Shivambu was acting CFO from 1 November 2016 to 31 January 2017 and was paid the above acting allowance.

Remuneration of acting Chief Financial Officer: N.Mashau

Acting allowance	94 753	-

N. Mashau was acting CFO from 1 March to 30 June 2017 and was paid the above acting allowance.

Remuneration of director Technical Services: P.M. Mathebula

Annual Remuneration	665 438	609 105
Car Allowance	328 000	328 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	11 063	10 500
	1 004 501	**947 605**

P.M. Mathebula was acting Municipal Manager from 1 February to 30 April 2017, the above acting allowance relates to this position.

Remuneration of acting director Technical Services: K.Y. Sinclair

Acting allowance	55 685	-

K.Y. Sinclair was acting director Technical Services from 1 February to 30 April 2017, the above acting allowance relates to this position.

Remuneration of acting director Strategic Planning and LED: N.J. Nkuna

Acting allowance	90 730	67 043

N.J. Nkuna was acting director Strategic Planning and LED from 1 to 31 July 2016 and then from 1 to 30 June 2017.

Remuneration of acting director Strategic Planning and LED: S.L. Mabunda

Acting allowance	142 129	-

S.L. Mabunda was acting director Strategic Planning and LED from 1 December 2016 to 28 February 2017 and then from 1 March to 31 May 2017.

Remuneration of acting director Community Services: S.N. Mabundza

Acting allowance	94 720	14 603

S.N. Mabundza was acting director Community Services from 1 November 2016 to 31 January 2017.

Remuneration of acting director Community Services: M.I. Khosa

Acting allowance	71 064	67 041

M.I. Khosa was acting director Community Services from 1 July to 30 September 2016, 1 March to 31 May 2017 and 1 to 30 June 2017.

Remuneration of acting director Corporate Services Mdaka

Acting allowance	47 376	-

Mdaka was acting director Corporate Services from 1 March to 1 April 2017.

23. Remuneration of councillors

Mayor	784 412	759 428
Speaker	603 909	1 175 852
Councillors	18 043 379	16 338 682
	19 431 700	**18 273 962**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Impairment of assets

Impairments		
Property, plant and equipment	51 007	1 654 573

During the verification of assets, some assets were noted to be in poor condition and were impaired in GRAP 21 Impairment of Non-cash generating assets. The assets were impaired as follows:

Furniture and fittings:	R 4 130
Plant and machinery:	R45 253
Air conditioners:	R 4 444
IT Equipment:	R 1 180

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

25. Debt impairment

	2017	2016
Debt impairment	25 229 239	7 245 980

26. Contracted services

27. General expenses

	2017	2016
Advertising	514 139	337 423
Auditors remuneration	3 225 870	3 087 760
Bank charges	3 535 284	248 906
Consulting and professional fees	25 302 243	18 868 784
Consumables	963 561	994 140
Donations	10 000	-
Insurance	403 954	301 210
Community development and training	12 603 140	16 476 912
Audit committee fees	997 218	490 887
IT expenses	376 991	671 324
Magazines, books and periodicals	127 660	5 568
Medical expenses	11 485	190 799
Motor vehicle expenses	2 161 621	1 933 348
Postage and courier	118 838	103 189
Printing and stationery	1 504 845	1 655 078
Project maintenance costs	23 395 909	29 146 350
Subscriptions and membership fees	1 452 620	1 404 763
Telephone and fax	1 187 950	1 318 345
Training	1 652 624	1 042 074
Travel - local	9 116 708	6 637 780
Electricity	1 743 082	1 696 692
Uniforms	1 575	966 340
Catering services	284 196	284 338
Provision for landfill site rehabilitation	-	1 161 390
Free basic services	8 757 003	8 261 597
Bursaries	529 816	298 089
Other expenses	-	11 295
	99 978 332	**97 594 381**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Auditors' remuneration

Fees	3 225 870	3 087 760

29. Operating lease

The municipality leases office space from the Limpopo Development Agency. The lease terms are as follows:

- The lease term is for a period of 1 year commencing 1 August 2016 with an option of renewal.
- The rental amount from the commencement date is R60 349.88 for office space and R1 728.15 for parking space payable monthly.

The municipality entered into a lease for the supply, delivery, installation, maintenance and testing of 10 photocopiers from 1 September 2016 to 31 August 2019 (36months). The lease terms are as follows:

- 8 Photocopiers at a monthly rental fee of R4 437.50 per photocopier and a cost per copy of R0.08
- 1 Photocopier at a monthly rental fee of R7 286.00 and a cost per copy of R0.09
- 1 Photocopier at a monthly rental fee of R7 910.00 and a cost per copy of R0.09(black copies) and R0.85(colour copies

The municipality entered into a lease for the supply, delivery, installation, maintenance and testing of 2 additional photocopiers from 1 April 2017 to 31 March 2020 (36months). The lease terms are as follows:

- 2 Photocopiers at a monthly rental fee of R4 437.50 and a cost per copy of R0.08

30. Cash generated from operations

Surplus	59 949 812	118 698 578
Adjustments for:		
Depreciation and amortisation	38 502 783	20 206 232
Impairment deficit	51 007	1 654 573
Debt impairment	25 229 239	7 245 980
Movements in retirement benefit assets and liabilities	2 354 388	643 486
Movements in provisions	(439 449)	14 799 593
Other non-cash items	14 489 158	(55 847 972)
Other non-cash items	(94 449 590)	(171 053)
Changes in working capital:		
Inventories	49 274	(65 320)
Receivables from exchange transactions	(17 225 447)	(3 224 858)
Consumer debtors	(15 321 870)	(10 317 695)
Other receivables from non-exchange transactions	(9 149 129)	(3 803 874)
Payables from exchange transactions	9 784 573	9 252 325
VAT	701 889	(3 296 517)
Unspent conditional grants and receipts	4 902 346	2 385 862
	19 428 784	**98 157 340**

Figures in Rand	2017	2016

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Nkomo B upgrading from gravel to tar	-	11 834 048
• Section E sports centre	-	996 516
• Electrification of Bambeni village	-	4 610 908
• Electrification of Mninginisi block 3 village	-	7 145 136
• Thomo community hall	1 718 265	13 409 423
• Nkomo A upgrading from gravel to tar	-	4 365 049
• Electrification of Gandlanani Silawa	-	2 316 063
• 51 high mast lights in crime prone areas	-	668 610
• Homu 14B to 14A upgrading from gravel to tar	-	2 329 596
• Civic centre offices phase 2	14 977 552	15 607 779
• Culvert bridges to cemeteries	-	1 591 662
• Mageva sports centre	16 932 984	19 274 194
• Bode paving of internal streets	-	892 052
• Makosha upgrading	-	2 245 612
• Ndhambi taxi rank	-	1 134 052
• Refurbishment of giyani arts and culture centre	-	530 136
• Upgrading of parking lot	3 642 888	5 350 506
• Mbalula upgrading from gravel to tar	14 634 589	-
• Upgrading of traffic light and R81 lights	12 163 183	-
• Giyani section F streets phase 3 and 4	12 891 352	-
• Giyani section E sports centre precinct	18 735 852	-
• Rehabilitation of Giyani stadium and section A tennis court	281 322	-
• Energising of 30 High Mast lights in high crime zones	886 378	-
• Formalisation of settlement	462 855	-
• Survey of Xikukwani Eco Park	350 000	-
	97 677 220	**94 301 342**
Not yet contracted for and authorised by accounting officers		
• Mbalula upgrading from gravel to tar	-	27 963 898
• Electrification of Vuhehli, Ndindani, Gawula, Nwakhuwani and Mahlati Villages	6 451 013	-
• Rehabilitation of streets in all sections	2 965 539	-
• Public transport shelters - turnkey	1 571 137	-
• Upgrading of Khensani access road	1 078 845	-
• Development of road and stormwater master plan	3 620 382	-
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi	6 697 512	-
• Upgrading of Makhuva road D3187 from gravel to tar	14 956 019	-
• Energising of 51 Highmast lights in high crime prone zones	5 435 518	-
• Rehabilitation of dumping site	5 667 045	-
	48 441 010	**27 963 898**
Total capital commitments		
Already contracted for but not provided for	97 677 220	94 301 342
Not yet contracted for and authorised by accounting officers	48 441 010	27 963 898
	146 118 230	**122 265 240**

Authorised operational expenditure

Already contracted for but not provided for		
• Movable and immovable infrastructure infrastructure assets verification	4 978 122	133 040
• Financial support system	-	91 200
• Office space rental	224 974	-
• Supply and deliver of municipal newsletter	656 250	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
31. Commitments (continued)		
• Supply, delivery, installation, maintenance and testing of photocopier services rental	1 244 056	-
	7 103 402	**224 240**
Total operational commitments		
Already contracted for but not provided for	7 103 402	224 240
Total commitments		
Total commitments		
Authorised capital expenditure	146 118 230	122 265 240
Authorised operational expenditure	7 103 402	224 240
	153 221 632	**122 489 480**
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	776 928	39 671
- in second to fifth year inclusive	896 119	-
	1 673 047	**39 671**

Operating lease payments represent rentals payable by the municipality for photocopiers, office property and parking at Limpopo Economic Development Agency officies in Giyani. Contingent rent is payable based on number of copies made for the photocopiers..

32. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

Case Description	Date Started	Case Number	Legal Representative	2017 Potential Liability	2016 Potential Liability
GGM vs Nkuna Blaza. Illegal extension of market stalls.	02/2015	-	Baloyi Shirindza Attorneys	-	45 000
Makamu Mamayila vs GGM. The claimant is suing the Municipality for the amount of R300 000 for falling into an unclosed municipal drain.	06/2015	-	Baloyi Shirindza Attorneys	100 000	97 000
Nhlovo Sithole vs GGM. The claimant sued the municipality the amount of R400 000 for injuries sustained at the municipal park.	05/2015	-	M.C. Baloyi Attorneys	300 000	150 000
Gezani Isaac Masingi vs GGM	-	2679/16	M.C. Baloyi Attorneys	-	100 000
				400 000	**392 000**

33. Related parties

Relationships

Accounting Officers	Refer to accounting officers' report note
Members of key management	R.H. Maluleke - Chief Finance Officer N. Mashau - Acting Chief Finance Officer J. Shivambu - Acting Chief Finance Officer P. Mathebula - Director Technical Services K.Y. Sinclair - Acting Director Technical Services S.N. Mabundza - Acting Director Community Services M.I. Khosa - Acting Director Community Services N.J. Nkunda - Acting Director Strategic Planning & LED S.L. Mabunda - Acting Director Strategic Planning & LED

The salaries and benefits of all section 56/57 managers are treated as related party transactions due to the nature of their work and responsibilities. Refer to note 22 for remuneration details of section 57 managers. Salaries and benefits paid to councillors are also treated as related party transactions due to the nature of thier work and responsibilities. Refer to note 21 for details of their remuneration during the year.

Cogta provided Greater Giyani Municipality with an Acting Municipal Manager, Mr M.C. Chaamano on a secondment basis from 1 July 2016 till 31 October 2016. Costs of his remuneration paid by the municipality are detailed in note 22 above.

Related party balances

	2017	2016
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Mopani District Municipality - Net effect of all balances arising from the water service related transactions	24 686 083	7 797 323

Related party transactions

	2017	2016
Agency fees from related parties		
Mopani District Municipality	318 997	285 433

Greater Giyani Municipality signed a service level agreement with Mopani District Municipality for the provision of water and sewerage services on their behalf. Under this agreement Greater Giyani Local Municipality earns an agency fee of 5% of all collections on water and sewer transactions. The collections net of agency fees, expenses incurred in providing the service, receivables and liabilities arising from the service rendered are transferred to Mopani District Municipality.

34. Prior period errors

1. It was noted that depreciation was not correctly calculated for some assets in the 2016 Movables (fixed asset register) FAR. The depreciation for the affected assets was recalculated and the necessary adjustments made to the opening balances in the FAR.

2. A number of completed capital projects amounting to R47,845,174 were errorenously expensed in prior years resulting in undesatatement of PPE and accumulated surplus.

3. A number of duplicate assets were noted in the 2016 asset register and written off.

4. Plant and machinery worth R1,781,285 was purchased in 2009 but was not accounted for in the asset register and ledger, resulting in understatement of PPE and accumulated surplus by R1,781,285

5. It was noted that the useful lives applied to calculate depreciation in the 2016 financial year and prior years, were not consistent with those in the 2016 approved asset management policy. The 2016 depreciation and accumulated depreciation to 30 June 2016 were recalculated using the useful lives as per the approved asset management policy, and differences noted adjusted for as prior period errors per GRAP 3.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

34. Prior period errors (continued)

6. Land was overstated to the amount of R28 331 100 due to incorrect valuation method. The land values were determined using a qualified land valuer in 2017 and the asset register and ledger adjusted to reflect the correct land values.

The correction of the error(s) results in adjustments as follows:

	2017	2016
Adjustment to write off duplicated assets in the 2016 FAR - Cost	-	(141 064)
Adjustment to write off duplicated assets in the 2016 FAR - Depreciation	-	83 187
Decrease in net assets	**-**	**(57 877)**

Figures in Rand	2017	2016

34. Prior period errors (continued)

Recognition of 2016 completed capital -project (ZAVA CULVERT BRIDGES 3 ACCESS TO CEMETER project) that was incorrectly expensed	-	(1 295 949)
Adjustment for Depreciation understatement due to incorrect calculation of depreciation in prior years	-	(1 315)
Adjustment to align 2016 AFS and FAR to Revised 2016 FAR after verification and assignment of new DRCs to Infrastructure assets	-	2 547 322
Adjustment to align 2016 AFS and FAR to Revised 2016 FAR after verification and assignment of new DRCs to Infrastructure assets	-	(177 312)
Community asset cost	-	41 660
Community asser accumulated depreciation	-	(6 786)
	-	**2 404 884**
Motor Vehicles	-	1 989 373
Plant & Machinery	-	1 867 597
Furniture and fittings	-	396 416
Air Conditioners	-	225 999
IT Equipment	-	304 514
Office equipment	-	238 915
	-	**5 022 814**
Land and buildings - Municipal, Civic and Markets	-	1 541 510
Land and buildings - Municipal, Civic and Markets	-	(6 983 286)
Plant and machinery	-	58 289
Plant and machinery	-	(71 780)
Furniture and fixtures	-	541 881
Furniture and fixtures	-	(708 780)
Motor vehicles	-	147 233
Motor vehicles	-	(264 999)
Office equipment	-	(1 945 648)
Office equipment	-	3 075 407
IT equipment	-	1 945 647
IT equipment	-	(3 075 407)
Infrastructure	-	(7 371 441)
Land and buildings - Community	-	(1 546 936)
Land and buildings - Community	-	3 280 013
	-	**(11 378 297)**
Adjustment to correct overstatement of municipal land	-	28 331 100
Recognition of vacant land (investment property) that was previously not accounted for	-	1 110 000
Adjustment for overstatement of WIP balance in prior years	-	(40 100 966)
Adjustment to capitalise previously expensed capital projects that were completed in prior years	-	37 959 460
Adjustment to capitalise previously expensed capital projects that were completed in prior years	-	9 885 714
	-	**47 845 174**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

34. Prior period errors (continued)

Adjustment to align 2016 AFS and FAR to Revised 2016 FAR after verification and assignment of new DRCs to Infrastructure assets	-	165 505 635
Adjustment to align 2016 AFS and FAR to Revised 2016 FAR after verification and assignment of new DRCs to Infrastructure assets	-	161 395 280
	-	**326 900 915**

Adjustment to account for plant purchased in 2009	-	1 781 285
Adjustment to account for plant purchased in 2009	-	(712 839)
	-	**1 068 446**

Statement of financial performance		
1. Depreciation expense	-	1 314
2. Accumulated surplus	-	(47 485 174)
3. Accumulated surplus	-	57 887
4. Accumulated surplus	-	(1 068 446)
5. Accumulated surplus	-	1 295 949
6. Accumulated surplus	-	36 391 100

35. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiations of terms were made on any of these instruments.

36. Fruitless and wasteful expenditure

	2017	2016
Opening balance	7 574	73 370
Add: Fruitless and wasteful expenditure current year	45 271	7 574
Less: Amounts written off	-	(73 370)
	52 845	**7 574**

No disciplinary steps were taken as a connsequence of above expenditure. Current year fruitless and wasteful expenditure comprises of the following:

Interest for late payments to Eskom - R21 053

Interest for late payment to Auditor General South Africal - R299

Interest on late payment to SARS - R23 919

37. Irregular expenditure

	2017	2016
Opening balance	7 308 784	23 948 322
Add: Irregular Expenditure - current year	1 422 537	2 141 430
Less: Amounts not recoverable (not condoned)	-	(18 780 968)
	8 731 321	**7 308 784**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. Irregular expenditure (continued)

Details of irregular expenditure – current year

The irregular expenditure for the current year was because of deviation, for example sole provider for services	1 422 537	

MPAC is currently busy with the investigatinos in line with Section 32 of the MFMA

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2017	2016
Current year subscription / fee	69 615	66 250
Amount paid - current year	(69 615)	(66 250)
	-	-

Audit fees

	2017	2016
Current year subscription / fee	3 225 870	3 087 760
Amount paid - current year	(3 225 870)	(3 087 760)
	-	-

PAYE and UIF

	2017	2016
Opening balance	21 861	-
Current year subscription / fee	-	17 938 003
Amount paid - current year	-	(17 914 142)
	21 861	**21 861**

Pension and Medical Aid Deductions

	2017	2016
Opening balance	(500)	-
Current year subscription / fee	-	13 763 638
Amount paid - current year	-	(13 784 138)
	(500)	**(500)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Manganyi Khazamula Abraham	1 129	5 857	6 986
Cllr Bilankulu John Hlengani	893	440	1 333
Cllr Baloyi Tintswalo Elizabeth	1 820	12 657	14 477
Cllr Mboweni Agrey Ernest	1 735	35 757	37 492
Cllr Chauke Mukhacani Juring	1 814	31 724	33 538
Cllr Makamu Mafakhale Alpheus	1 024	8 019	9 043
Cllr Shivambu Hasani Richard	1 277	14 827	16 104
Cllr Shibambu Basani Agnes	1 348	4 989	6 337
	11 040	**114 270**	**125 310**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.